

CONSTRUCTION IN UTAH

THE INDUSTRY HARDEST HIT
IN THE RECESSION



Construction in Utah, and just about anywhere else, has taken a huge hit in this recession. The industry hasn't vanished, but has lost 30 percent of its workers due to lack of demand, overbuilding, and the collapse of the finance/funding sector. Construction, by its nature, is not an easily understood and predictable sector in the economy. It is, in fact, the hardest industry of any size to forecast because of its volatility.

JOB LOSSES HIGHEST OF ANY INDUSTRY.

Of the total 65,000 jobs in Utah lost between September 2008 and September 2009, nearly 20,000 were in construction alone—a drop of 21 percent. Manufacturing was next closest shedding some 13,000 jobs or 10 percent of its total jobs. Construction employment peaked in 2007 for an annual average count of 103,400. That's also the same year the national recession started (December of 2007). The graphs show construction's employment history and change.

1990S, THE DECADE OF UNPRECEDENTED GROWTH.

Because of a hot economy, easy access to financing, and continued high population growth, net immigration, and family formation, construction

employment more than doubled during the decade. Six years of double-digit growth in jobs was experienced. That has not occurred before, or again. Construction employment jumped from 27,800 in 1990 to 72,200 in 2000 when the dot-com recession let the air out of the balloon of growth at the turn of the century.


THE 2000'S BROUGHT MORE GROWTH, AND THEN CONSTRUCTION COLLAPSED.

In 2004 the industry felt more demand as it experienced a 7.4-percent jump from the -0.4 percent decline of the previous year. For two more years—2006 and 2007—construction was on fire with growth rates in the teens. As the recession struck in late 2007, one of the first notable signs was the drying up of demand in construction, both in the residential and non-residential sectors. The economy came to a grinding halt in the fall of 2008 with the meltdown of the financial sector which then choked off funding for the construction industry.

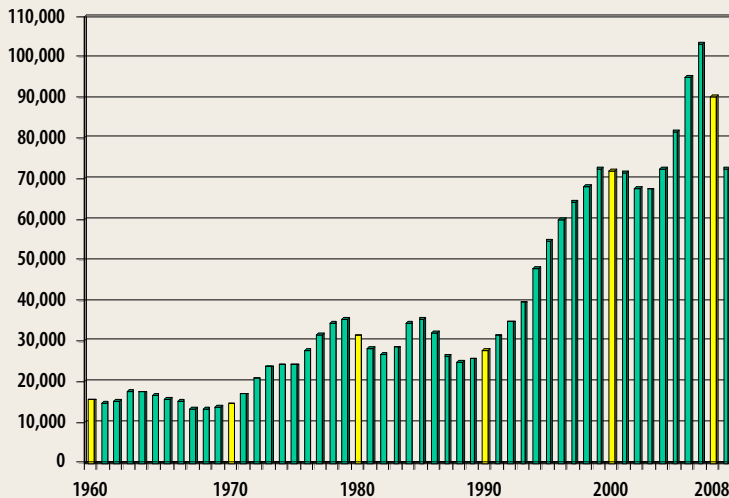
From a low of 67,600 jobs in 2003 the industry had grown by about 33,000 to peak at 103,400 in 2007. It fell to 90,000 in 2008, and continued its slide back to about 72,000 jobs by September of 2009. In terms of the rate of decline

in the industry, the graph shows what happened between 2005 and 2009 by month. It is easy to see the “turn” in the economy in December of 2007 and the start of the freefall in construction jobs the same month.

The term “collapse” in the heading may be a little strong. Not all jobs in construction disappeared. What happened was that the jobs gained in the last decade are gone. Employment rose from the 72,200 level in 2000 to peak at 103,400 in 2007 and dropped dramatically to the current (September 2009) level of 72,900. Unfortunately, the decline will continue for a while. Until housing inventories are absorbed and financing gets easier, the demand for construction and construction jobs will remain very weak.

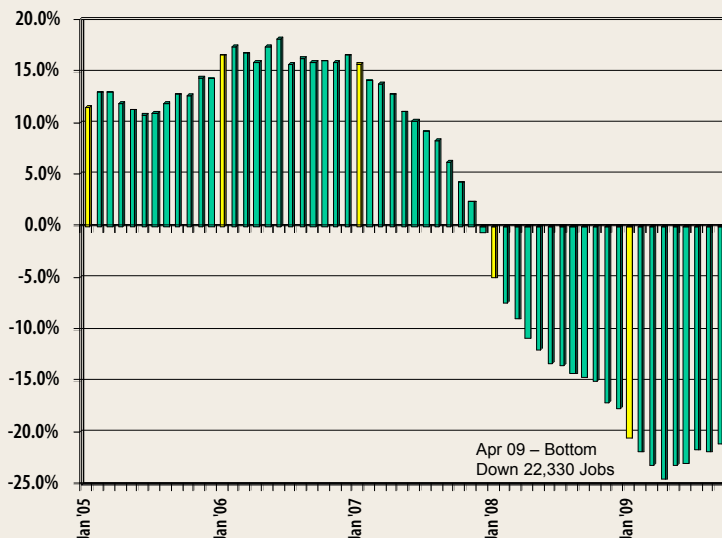
The recession may or may not be over, but recovery in employment terms could take months or even years. Jobless recovery from a recession may be experienced more poignantly in the construction industry. We may not see the extraordinary alignment of the planets that spawned the dramatic employment growth of the 1990s, or the mid-2000s again. Utah's economy will recover but the construction resurrection will be slower to show up relative to other industries in the state. 

UTAH CONSTRUCTION EMPLOYMENT 1960-2009



Source: Utah Department of Workforce Services.

UTAH YEAR-OVER CONSTRUCTION EMPLOYMENT GROWTH RATES 2006-2009*



*2009 third quarter data is preliminary.

Source: Utah Department of Workforce Services: Jan 2010



ON A POSITIVE NOTE,
THERE ARE PROJECTS
IN PROGRESS THAT
WILL BENEFIT THE
CONSTRUCTION SECTOR:

- City Creek Center
- Ebay Computer Center
- NSA Data Center
- Federal Courthouse
- Kennecott Molybdenum Smelter
- Milford Wind Corridor
- Falcon Hill
- UTA FrontRunner South and TRAX